

MASTER AGREEMENT BETWEEN CITY OF SUNNNYVALE
AND UNION BANK
FOR CUSTODY SERVICES

THIS AGREEMENT ("Agreement") is entered into this 8th day of March, 2001, by and between the CITY OF SUNNYVALE ("CITY") and UNION BANK OF CALIFORNIA N.A. ("BANK").

RECITALS

WHEREAS, CITY, on July 20, 2000, sent a Request for Proposal (RFP No. F0007-07) ("RFP"), hereby incorporated by reference, to various banks for custody services for a period of at least three (3) years; and

WHEREAS, in August 2000, CITY received responses for custody services and the proposals were evaluated by the CITY staff; and

WHEREAS, CITY wishes to contract with a bank having experience as an independent agent to safekeep, clear, and report investments to ensure the protection of CITY's security interest in portfolio investments; and

WHEREAS, BANK is willing to enter into a contract with CITY to provide professional custodial services in accordance with this Agreement; and

WHEREAS, it was recommended that the City Council of CITY award a five-year agreement to BANK to provide custody services to CITY; and

WHEREAS, on Jan 30, 2001, the City Council of CITY approved such recommendation; and

WHEREAS, CITY is willing to appoint BANK as its agent to act as custodian of cash, securities, and other property which may be deposited by CITY with BANK from time to time;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants, agreements and conditions contained herein, the parties do hereby agree as follows:

1. TERM OF AGREEMENT BANK shall serve as CITY's agent to act as custodian for a period of five (5) years, commencing January 1, 2001 and ending December 31, 2005.

2. CANCELLATION OF AGREEMENT CITY or BANK has the right to terminate this Agreement at any time upon one hundred twenty (120) days written notice of intent to terminate. A decision to terminate may not be made as a result of profitability or non-profitability by either party. Upon termination, BANK shall have a reasonable amount of time to transfer the Property held in the Account in accordance with the written instructions of CITY or the person or entity legally entitled to receive such property. Costs related to termination, including without limitation, costs for shipping securities and other Property held in the Account and costs of re-registering securities, generating reports and accounting for disposition of cash shall be billed on CITY's monthly account analysis statement. Notwithstanding any such notice of termination, the provisions of this Agreement shall remain in full force and affect as to all transactions, which shall have occurred prior to the effective date of termination.

3. CUSTODIAL SERVICES CITY hereby appoints BANK as agent to act as custodian of cash, securities, and other property ("Property") described on Exhibit A, attached and incorporated, and other property which may be deposited by CITY with BANK from time to time to be held in the account established by this Agreement ("Account") and BANK agrees to act as CITY's agent for such property according to the terms and conditions of this Agreement.

BANK's response to CITY's RFP, Sections B, D through H, and N are hereby incorporated by reference. BANK shall comply with all State and Federal regulation regarding custodial safekeeping of CITY's securities.

3.1 Handling of Income and Principal

BANK shall collect the income, when paid on the Property, and hold it in a demand deposit income account until invested or otherwise disposed of pursuant to CITY's written instructions.

BANK shall collect principal of Property when paid on maturity, redemption, sale, or otherwise, and hold it in a demand deposit principal account until invested or otherwise disposed of pursuant to CITY's written instructions.

BANK shall diligently collect income and principal of which the BANK has received actual notice in accordance with normal industry practices. However, BANK shall be under no obligation or duty to take any action to effect collection of any amount if the securities or other Property upon which such amount is payable is in default, or if payment is refused after due demand unless the BANK has been adequately indemnified by CITY in advance. BANK, however, shall notify CITY promptly of such default or refusal to pay.

BANK shall make all additions and withdrawals of property to and from this Account only upon receipt of and pursuant to written instructions from CITY except for those withdrawals provided for in Section 4. Upon receipt of such order for each withdrawal, unless otherwise instructed in writing, BANK shall deliver the Property so withdrawn to CITY or to CITY's designee, upon an appropriate receipt.

3.2 Handling of Investment of Property

CITY shall have sole responsibility for the investment, review, and management of all Property held in its Account. BANK shall make all purchases, sales, conversions, exchanges, investments and reinvestments of Property held in its Account only upon receipt of and pursuant to written instructions from CITY. BANK shall have no duty or obligation to review, or make recommendations for the investment and management of any Property held in its Account, including uninvested cash.

BANK shall notify CITY of the receipt of notices of redemptions, conversions, maturities, exchanges, calls, puts, subscription rights, and scrip certificates ("Corporate Actions"). BANK need not monitor financial publications of Corporate

Actions and shall not be obligated to take any action without waiting for CITY's instructions. If a Corporate Action has a fixed expiration date, and BANK has not received written instructions regarding it from CITY five business days prior to such date, BANK shall take such action as it deems appropriate in its sole discretion.

BANK shall receive and retain all stock distributed by a corporation as a dividend, stock split, or otherwise. However, in connections therewith, if a fractional share is received, BANK shall sell such fractional share.

BANK shall have the right to hold all registered securities in the name of its nominee.

BANK may in its discretion, deposit in a securities depository any securities which, under applicable law, are eligible to be deposited.

4. PLEDGE OF SECURITIES CITY shall inform BANK in writing in the event that CITY has pledged any Property held in the Account as collateral ("Pledged Collateral") for any loan or advance ("Secured Obligation") made to CITY by the Union BANK of California, N.A., or by any other lender designated by CITY ("Secured Party"). CITY's notice to BANK shall precisely identify the Pledged Collateral and state the name, address, telephone number and telex number of the Secured Party and the appropriate officer, if any, to contact in connection with the Pledged collateral, and CITY shall provide evidence that a copy of such notice has been provided to the Secured Party. CITY shall be responsible to BANK for keeping BANK informed of any changes to this information, and BANK shall be fully protected in relying on such notice until receipt of a notice providing additional or substituted information. BANK shall segregate and identify such Property in its records as pledged. Notwithstanding anything to the contrary contained in this Agreement, by providing the notice referred to above, CITY acknowledges and agrees that the terms of this Custody Agreement are superceded by the terms of any pledge or security agreement covering the Pledged Collateral and that BANK cannot release the Pledged Collateral without the prior written consent of the Secured Party. In the event that the Secured Party shall notify the BANK in writing of a default of such Secured Obligation, BANK shall follow, with no further obligation, the written instructions of the Secured Party regarding the Pledged Collateral and shall be fully protected in so doing. Any interest or principal payments due on the Secured Obligation may be charged to the Account upon written instruction from CITY.

5. PROXIES AND CORPORATE LITERATURE BANK shall forward all proxies and accompanying material issued by any company whose securities are held in Account to CITY unless directed in writing not to do so. BANK shall have no duty to forward or retain any other corporate material received by the Account unless required to do so by law. Unless CITY directs BANK in writing to the contrary, CITY agrees that BANK may disclose the name and address of the party with the authority to vote the proxies of the securities held in its Account as well as the number of shares held, to any issuer of securities or its agents upon the written request of such issuer or agent in conformity with the provisions of the applicable law.

6. CONFIRMATIONS BANK shall have no responsibility to send confirmations of security transactions occurring in its Account to CITY, however, CITY may request confirmations for security transactions at any time at no additional cost to CITY, and such confirmations shall be sent to CITY within the time prescribed by law. Each month, BANK shall send CITY a cash statement and an asset statement showing market values. The statements will show all income and principal transactions and cash, securities and other Property holdings. CITY may approve or disapprove such statement within sixty (60) days of their receipt and, if no written objections are received within the sixty-day (60) period, such statements of the account shall be deemed approved.

7. USE OF OTHER BANK SERVICES CITY may direct BANK to utilize for its Account other services or facilities provided by BANK, its subsidiaries or affiliates. Such services shall include, but not limited to (1) the purchase or sales of securities as principal to or from, or, (2) the placing of orders for the purchase, sale, exchange, investment or reinvestment of securities through any brokerage service conducted by, or (3) the placing of orders for the purchase or sale of units of any investment company managed or advised by BANK, UnionBanCal Corp., or their subsidiaries or affiliates. CITY hereby acknowledges that BANK will receive additional fees for such services in accordance with BANK's standard fee schedules, which shall be delivered to CITY from time to time.

8. INSTRUCTIONS All instructions from CITY shall be in writing, and shall continue in force until changed by subsequent instructions. Pending receipt of written authority, BANK may, in its absolute discretion at any time accept oral, wired, or electronically transmitted instructions from CITY provided BANK believes in good faith that the instructions are genuine.

9. COMPENSATION AND OTHER CHARGES BANK fees as agent shall be based on the fee schedule included in Section I, hereby incorporated by reference, of BANK's response to CITY's Request for Proposal dated August 14, 2000 and will be guaranteed for five years, commencing January 1, 2001 through December 31, 2005. Fees shall be calculated monthly and billed on CITY's monthly account analysis statement. Any new services that CITY wishes to add will be governed by the fee stated in BANK's response to CITY's Request for Proposal dated August 14, 2000. Fees for any new services added that were not included in BANK's response to CITY's Request for Proposal dated August 14, 2000 will be based on fee schedule dated April 1, 2000, attached and incorporated as Exhibit B. If fees for any new services added were not included in BANK's response to CITY's Request for Proposal or fee schedule dated April 1, 2000, BANK will charge its current and customary fee. BANK is authorized to charge the Account for funds necessary for BANK to complete any purchase or to make any directed disbursement authorized by CITY. BANK shall have no duty to make any purchases, exchanges, or disbursements or to incur any expenses, unless the funds necessary to cover the amount of the expense are available in the Account.

10. COST BASES AND DATES OF ACQUISITION CITY agrees to furnish BANK with the income tax cost bases and dates of acquisition of all Property held in

the Account to be carried on its records. If CITY does not furnish such information for any such Property, BANK shall carry the Property at any such nominal value it determines, such value to be for bookkeeping purposes only. All statements and reporting of any matters requiring this information will use this nominal value. BANK shall have no duty to verify the accuracy of the cost bases and dates of acquisition furnished by CITY. Property purchased in the Account shall be carried at cost.

11. LIMITED POWER OF ATTORNEY BANK is hereby granted a limited power of attorney by CITY to execute on CITY's behalf any declarations, endorsements, assignments, stock or bond powers, affidavits, certificates of ownership or other documents required (1) to effect the sale, transfer, or other disposition of Property held in the Account, (2) to obtain payment with respect to Property held in the Account, or (3) to take any other action required with respect to the Property held in the Account, and in the BANK's own name to guarantee as CITY's signature so affixed.

12. INDEMNIFICATION BANK and CITY shall each indemnify and hold harmless the other and its officers, directors, officials, employees, volunteers, and agents from and against all claims, damages, losses and expenses, including attorney fees, arising out of the performance of the services described herein, caused in whole or in part by any negligent act or omission of BANK or CITY, respectively, any subcontractor, anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of BANK or CITY respectively. This provision shall survive termination of this Agreement and shall be binding upon each party's successors, assigns, heirs and personal representatives.

13. EMERGENCY/DISASTER PLANNING BANK shall work with CITY in developing an agreed upon plan for providing services under this Agreement in the event of a major emergency or disaster.

14. CONFIDENTIAL INFORMATION BANK shall maintain in confidence and shall at no time use, except to the extent required to perform its obligations hereunder, or as may be required by governmental or regulatory authorities, any and all proprietary or confidential information of CITY, which BANK may become aware of in the performance of its service.

15. COMPLIANCE WITH LAWS (a) BANK shall adhere to all state and federal laws with respect to discrimination in employment and shall not discriminate against any individual on the basis of race, color, religion, gender, sexual orientation, marital status, national origin, age or disability.

(b) BANK shall comply with all federal and state laws, rules and regulations and the orders and decrees of any courts or administrative bodies or tribunals in any action or proceeding to which the BANK is a party or in any manner effecting the performance of this Agreement.

16. CITY REPRESENTATIVE The Director of Finance or his/her designee, shall represent CITY in all matters pertaining to the services to be rendered under

this Agreement. All requirements of CITY pertaining to the services and materials to be rendered under this Agreement shall be coordinated through the CITY representative.

17. BANK'S REPRESENTATIVE The Manager of BANK's Institutional Custody Services or his/her designated CITY Relationship Manager, shall represent BANK in all matters pertaining to the services and materials to be rendered under this Agreement. All requirements of BANK pertaining to the services or materials to be rendered under this Agreement shall be coordinated through BANK representative.

18. NOTICES All notices required by the Agreement hereunder shall be given in writing and shall be personally delivered or sent by first class, registered or certified mail, postage prepaid or by commercial courier addressed as follows:

To CITY: Director of Finance
 City of Sunnyvale
 P. O. Box 3707
 Sunnyvale, CA 94088-3707

To BANK: Union Bank of California
 475 Sansome Street, 15th Floor
 San Francisco, CA 94111
 Attn: Institutional Custody Services

Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by telephone, e-mail or facsimile transmission, to accomplish timely communication. However, to constitute effective notice in event of termination of the Agreement, written confirmation of a telephone conversation or an original of a facsimile transmission must be sent by first class postage or commercial carrier, or hand-delivered.

Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of the actual receipt; mailed notice shall be deemed communicated as of three days after mailing, unless such date is a date on which there is no mail service. In that event communication is deemed to occur on the next mail service day.

19. EFFECT OF WAIVER OF BREACH OR VIOLATION The waiver by either party of any breach or violation of any term, covenant, or condition of this Agreement or of any provision, ordinance or law shall not be deemed to be a waiver of any other term, covenant, condition, ordinance or law or of any subsequent breach or violation of the same or any other term, covenant, condition, ordinance or law. The subsequent acceptance by either party of any fee or other money, which may become due hereunder, shall not be deemed a waiver of any preceding breach or violation by the other party of any term, ordinance or condition of this Agreement or of any applicable law or ordinance.

20. GOVERNING LAW: VENUE This Agreement shall be deemed to have been made and shall be construed in accordance with the laws of the State of California. Any action pertaining to this Agreement shall be commenced in the Superior Court of the State of California, County of Santa Clara.

21. RIGHTS AND REMEDIES ARE CUMULATIVE Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

22. ATTORNEY FEES The prevailing party in any action brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorney's fees expended in connection with such an action from the other party.

23. DOCUMENT REPRESENTS ENTIRE AGREEMENT This document represents the entire and integrated agreement between CITY and BANK and supercedes all prior negotiations, representations or agreements, either written or oral with respect to the custody services provided by BANK to CITY. This document may be amended only by written instrument, signed by both CITY and BANK. All provisions of this Agreement are expressly made conditions. CITY and BANK shall sign all of the agreements attached as exhibits. With respect to any discrepancies between this Master Agreement and any exhibits referenced herein, or any other agreements negotiated with respect to the services referenced herein, this Master Agreement shall prevail.

24. CORPORATE AND MUNICIPAL AUTHORITY Each person signing on behalf of a party to this Agreement warrants that such party has performed all corporate or municipal actions necessary to make this a binding obligation of such party, enforceable in accordance with its terms.

25. ASSIGNMENT If either party wishes to assign all or any part of this Agreement, the other party shall have the right to cancel this agreement with only 30 days notice.

26. ACTS OF GOD BANK shall not be liable for non-performance or delays not caused by BANK's fault or neglect under BANK's reasonable control, nor for non-performance delays caused by or resulting from: (a) hostile or warlike action in time of peace or war; (b) riot, insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such an occurrence or confiscation; by order of any government public authority; (c) strikes, lockouts, or other labor disturbances; (d) authority of any present or future law or regulation to which BANK is subject; (e) acts of God; or (f) any other event or circumstance beyond BANK's control.

27. TAXATION OF ACCOUNT CITY agrees to provide a completed W-9 or W-8 certification, as appropriate, to BANK. CITY's tax identification number is 94-6000438 CITY is responsible for filing any and all tax returns and for paying any taxes on Property and Income held in this Account.

28. CAPTIONS The captions of sections of this Agreement are for reference only and are not to be construed in any way as a part of this Agreement.

29. TIME IS OF ESSENCE Time is of the essence of this Agreement.

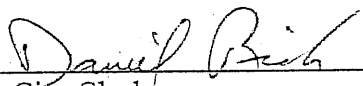
30. COUNTERPARTS This Agreement may be executed in counterparts, each of which shall be an Original and all of which shall constitute but one and the same instrument.

31. EFFECTIVE DATE This Agreement shall become effective upon the date first set forth above.

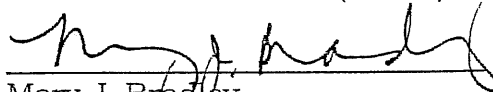
In WITNESS WHEREOF, CITY and BANK have executed this Agreement.

ATTEST:

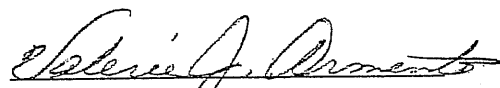
CITY CLERK

By: 
Deputy City Clerk

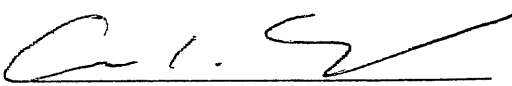
CITY OF SUNNYVALE ("CITY")


Mary J. Bradley
Director of Finance

APPROVED AS TO FORM:


City Attorney

UNION BANK OF CALIFORNIA,
N.A. ("BANK")


Carl E. Schultz
Senior Vice President

SCHEDULE A

Asset Backed Securities
Bank Accounts
Bankers Acceptances
Certificates of Deposit
Collateralized Mortgage Obligations
Commercial Paper
Common Stocks
Convertible Stocks
Corporate Bonds, Notes
Foreign Securities
Futures
Government Agency Issues
Government Bonds, Bills, Notes
Insurance Contracts
Publicly Traded Limited Partnership Units
Mortgage Pass-Through Certificates
Municipal Bonds
Mutual Fund
Options
Preferred Stocks
Private Placements
Repurchase Agreements
Reverse Repurchase Agreements